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By: **Delegate Edwards**

Introduced and read first time: January 23, 2002

Assigned to: Ways and Means

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A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax - Nonresident Shareholders, Partners, and Limited Liability**  
3 **Company Members**

4 FOR the purpose of requiring the Comptroller to allow an S corporation, partnership,  
5 or limited liability company that files a composite return on behalf of  
6 nonresident shareholders, partners, or members to reduce its tax payment by  
7 the amount of any tax credits that the nonresident shareholders, partners, or  
8 members are entitled to claim based on the activities of the S corporation,  
9 partnership, or limited liability company; providing for the application of this  
10 Act; and generally relating to composite returns filed by an S corporation,  
11 partnership, or limited liability company on behalf of nonresident shareholders,  
12 partners, or members.

13 BY repealing and reenacting, with amendments,  
14 Article - Tax - General  
15 Section 10-102.1(e)  
16 Annotated Code of Maryland  
17 (1997 Replacement Volume and 2001 Supplement)

18 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
19 MARYLAND, That the Laws of Maryland read as follows:

20 **Article - Tax - General**

21 10-102.1.

22 (e) (1) The Comptroller may provide by regulation for:

23 [(1)] (I) the filing of composite returns by an S corporation, partnership,  
24 or limited liability company on behalf of its nonresident shareholders, partners, and  
25 members; and

26 [(2)] (II) application of or exemption from the tax imposed under  
27 subsection (b) of this section for an S corporation, partnership, or limited liability  
28 company;

1                    [(i)]    1.        that files a composite return on behalf of nonresident  
2 shareholders, partners, or members; or

3                    [(ii)]   2.        the nonresident shareholders, partners, or members of  
4 which are tax exempt or pass-through entities.

5                    (2)       THE COMPTROLLER SHALL ALLOW AN S CORPORATION,  
6 PARTNERSHIP, OR LIMITED LIABILITY COMPANY THAT FILES A COMPOSITE RETURN  
7 ON BEHALF OF NONRESIDENT SHAREHOLDERS, PARTNERS, OR MEMBERS TO  
8 REDUCE ITS TAX PAYMENT BY THE AMOUNT OF ANY TAX CREDITS THAT THE  
9 NONRESIDENT SHAREHOLDERS, PARTNERS, OR MEMBERS ARE ENTITLED TO CLAIM  
10 BASED ON THE ACTIVITIES OF THE S CORPORATION, PARTNERSHIP, OR LIMITED  
11 LIABILITY COMPANY.

12        SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
13 July 1, 2002 and shall be applicable to all taxable years beginning after December 31,  
14 2001.